

Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 USIE-00 INRE-00 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01

H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 SSO-00

NSCE-00 /083 R

DRAFTED BY EB/ORF/FSE:MVCREEKMORE:MW

APPROVED BY EB - JULIUS L. KATZ

EB/ORF/FSE: SWBOSWORTH

FEA - CMALIN (SUBSTANCE)

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA IMMEDIATE

C O N F I D E N T I A L STATE 090207

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: MESSAGE FOR REGO BARROS, HEAD OF BRAZILIAN
DELEGATION TO CIEC ENERGY COMMISSION

1. AT MARCH ENERGY COMMISSION SESSION, USDEL HAD SEVERAL
USEFUL EXCHANGES WITH REGO BARROS, HEAD OF THE BRAZILIAN
DELEGATION. HE CLAIMED THAT BRAZIL WAS THE ONLY COUNTRY
IN THE G-19 CAUCUS THAT TOOK ISSUE WITH SOME OF THE
ARGUMENTS DEVELOPED BY OIL PRODUCERS FOR USE IN THE
COMMISSION. ACCORDING TO REGO BARROS, THE OBJECTIVE
OF THE OIL PRODUCERS WAS TO DEVELOP IN THE ENERGY
COMMISSION A CASE TO JUSTIFY AN INCREASE IN OIL PRICES
AT THE MAY OPEC MEETING.

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2. WE AGREED THAT THE US AND BRAZIL WOULD MAINTAIN CLOSE

INFORMAL CONTACT AT FUTURE ENERGY COMMISSION MEETINGS. WE ALSO PROMISED TO ADVISE REGO BARROS IN ADVANCE ON HOW WE PLANNED TO TREAT THE PRICE ISSUE AT THE APRIL COMMISSION SESSION. BRAZIL CLEARLY WANTS THE STRONG CASE TO BE MADE AGAINST HIGHER OIL PRICES AT THAT TIME, BUT IS CONVINCED THAT THE NON-OIL LDCS WITHIN THE G-19 WILL NOT PUBLICLY DISPUTE THE OPEC LINE. ONE ELEMENT OF OUR STRATEGY AT THIS SESSION WILL BE TO IDENTIFY IN A FACTUAL NON-CONFRONTATIONAL MANNER THE ADVERSE IMPACTS OF OIL

PRICES ON LDC DEVELOPMENT PROSPECTS. WE WOULD HOPE OUR PRESENTATION AND THAT OF THE OTHER INDUSTRIAL COUNTRIES WOULD ENCOURAGE THE NON-OIL LDCS TO INCREASE PRIVATE PRESSURE ON THE PRODUCERS AGAINST RAISING PRICES IN MAY.

3. PLEASE PASS REGO BARROS THE FOLLOWING MESSAGE FROM STEPHEN W. BOSWORTH, HEAD OF THE US DELEGATION TO THE ENERGY COMMISSION. QUOTE: I WAS PLEASED WITH THE CONTACT WE ESTABLISHED AT THE MARCH MEETING AND HOPE THIS FRUITFUL RELATIONSHIP WILL CONTINUE THROUGHOUT OTHER ENERGY COMMISSION SESSIONS.

4. I PROMISED TO ADVISE YOU OF HOW WE PLANNED TO TREAT THE PRICE ISSUE IN THE UPCOMING SESSION. THE US INTENDS TO MAKE A FIRM PRESENTATION ON THE PRICE ISSUE. WE WILL SEEK TO DOCUMENT THE GLOBAL IMPACT OF HIGH OIL PRICES AND PARTICULARLY THE ADVERSE EFFECTS OF THESE PRICES ON THE ECONOMIES AND DEVELOPMENT PROSPECTS OF THE NON-OIL DEVELOPING COUNTRIES. WE INTEND TO PRESENT THE RESULTS OF A RECENT MAJOR USG STUDY THAT ANALYZES THE COST TO THE NON-OIL DEVELOPING COUNTRIES IN 1975 OF THE OIL PRICE INCREASES OF 1973-74. THIS ANALYSIS EXAMINES FOUR TYPES OF COST: COST OF DIRECT PRICE INCREASES ON OIL IMPORTS, THE LOSS OF EXPORTS RESULTING FROM THE OIL PRICE-INDUCED PORTION OF THE RECESSION IN THE INDUSTRIALIZED WORLD, THE HIGHER PRICES TO DEVELOPING COUNTRIES OF NON-OIL IMPORTS CAUSED BY THE IMPACT OF OIL PRICES ON THE FACTORS OF PRODUCTION OF THESE PRODUCTS, AND THE EXPANDED DEBT SERVICING BURDEN ATTRIBUTABLE TO HIGH OIL PRICES. ACCORDING TO OUR CALCULATIONS, TOTAL COST TO

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THE NON-OIL LDCS IN 1975 ALONE WAS \$30 BILLION; THE CUMULATIVE COST OVER THE NEXT SEVERAL YEARS WILL BE MULTIPLES OF THIS COST.

5. WE WILL ALSO DEMONSTRATE THE MACRO-ECONOMIC IMPACT OF OIL PRICES ON THE US ECONOMY, 2) INDICATE WHY WE BELIEVE THAT INDEXATION IS NOT THE MOST APPROPRIATE MEANS TO ASSIST POORER DEVELOPING COUNTRIES, AND 3)

DISCUSS IN DETAIL THOSE AREAS OF PRICE THAT COMPRISE
ITEM 1.4 OF THE G-19 LIST.

6. WE HOPE THAT OUR PRESENTATION ON THE PRICE ISSUE
AND THE GENERAL DISCUSSIONS IN THE APRIL ENERGY
COMMISSION WILL IDENTIFY ELEMENTS OF COMMON INTEREST
AMONG ALL COUNTRIES, PRODUCERS AND CONSUMERS, AND
INCREASE AWARENESS OF THE INTERRELATIONSHIP BETWEEN
OIL PRICE" AND THE HEALTH AND GROWTH PROSPECTS OF THE
INTERNATIONAL ECONOMY.

7. I LOOK FORWARD TO SEEING YOU NEXT WEEK IN PARIS.
SINCERELY, STEPHEN W. BOSWORTH, CO-CHAIRMAN, ENERGY
COMMISSION. END QUOTE. KISSINGER

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